

All Members,

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Government takes various steps to accelerate the disinvestment process including replacement of annual plan with rolling plans, Fast tracking of approval process and to make Disinvestment programme more inclusive by following an approach to reserve 20 per cent of shares on PSUs-OFS transactions for retail investors on a case to case basis. Government realizes Rs. 21,432.38 crore, by end-November 2016, through Central Public Sector Enterprises' (CPSEs') disinvestment receipts, constituting around 59.53 % of the Budgeted Target of Rs. 36,000 crore.

Following are the major reform measures, policy initiatives and achievements of the Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Government of India:

Disinvestment Target and Achievements during 2016-17

The disinvestment target for the Current Financial Year 2016-17 has been estimated at Rs. 56,500 crore comprising Rs. 36,000 crore from disinvestment of Central Public Sector Enterprises(CPSE's) and Rs. 20,500 crore from strategic disinvestment. During the current financial year 2016-17, the Government has so far realized Rs. 23528.73 crore, which include Rs.21,432.38 crore through minority stake sale in 14 CPSEs and Rs. 2096.35 crore through strategic disinvestment. The total realization of Rs. 21,432.38 crore, by end-November 2016 through CPSEs' disinvestment receipts, constitutes around 59.53% of the Budgeted Target of Rs. 36,000 crore (CPSEs' disinvestment).

Reform Measures and Policy Initiatives:

(a) Steps taken to accelerate the disinvestment process:

The Department has taken following measures to accelerate the disinvestment process:

- (i) Replacing annual plan with rolling plans.
- (ii) Creating a pipeline of proposals for CPSEs to take advantage of better market condition without any loss of time.
- (iii) Fast tracking of approval process.
- (iv) Disinvestment programme made more inclusive by following an approach to reserve 20 per cent of shares on PSUs-OFS transactions for retail investors on a case to case basis.

- (v) Based on the suggestion made by the Department, SEBI has reduced the notice period for an OFS transaction from T-2 to T-1 (T being the transaction day). This will help in minimizing the possibility of price hammering between the notice day and the transaction day and suitably protecting the interest of retail investors by providing them sufficient time to participate in the OFS transaction.

(b)Restructuring and re-naming the Department to comprehensively manage the Government's investment in PSUs as DIPAM

- (i) The Union Finance Minister has underlined the need for adopting a comprehensive approach to efficiently manage its investment in CPSEs as highlighted in Para 89 of his Budget Speech of 2016-17 as below:

“We will adopt a comprehensive approach for efficient management of Government investment in CPSEs by addressing issues such as capital restructuring, dividend, bonus shares, etc. The Department of Disinvestment is being re-named as the Department of Investment and Public Asset Management (DIPAM)”

- (ii) In the light of the announcement made, the Department has been re-named as Department of Investment and Public Asset Management (DIPAM) which is in line with focus of the Government on management of its investment in Central Public Sector Enterprises (CPSEs) for accelerating economic development as well as augmenting the Government resources for higher expenditure. It also underlines the Government's recognition of its investment in CPSEs as an important asset for accelerating economic growth and commitment to efficient use of its resources to achieve a better return on its investment in CPSEs.

- (iii) As announced in the Budget, guidelines on “Capital Restructuring of CPSEs” have also been issued by this Department on 27th May, 2016. These guidelines supersede all previously issued guidelines by various Ministries/Departments from time to time and comprehensively deal with the inter-related issues on payment of dividend, buy back of shares, issue of bonus shares and splitting of shares. The focus of these guidelines is on optimum utilization of funds by CPSEs/Government to spur economic growth.

D. Strategic Disinvestment

Procedure and mechanism for strategic disinvestment of CPSEs was approved by Cabinet Committee on Economic Affairs (CCEA) in February, 2016. The CCEA Note seeking in-principle approval on First and Second tranche recommendations of NITI Aayog on strategic disinvestment of CPSEs, incorporating the recommendations of CGD, thereon has been approved by CCEA in its meeting held on 27th October, 2016. Action has been initiated on the process of strategic disinvestment of the CPSEs accordingly.

Please contact for any query related to this mail to Ms. Surbhi Sharma, Sr. Research Officer at surbhi@phdcci.in with a cc to Dr. SP Sharma, Chief Economist, PHD Chamber of Commerce & Industry.

Warm regards,

Dr. S P Sharma

Chief Economist & Director-Research

PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area

August Kranti Marg, New Delhi-110016

Ph.: + 91-11-26863801-04, 49545454 Ext (135)

Fax: +91- 26855450, 49545451

Email: spsharma@phdcci.in

Website: www.phdcci.in

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PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India)

Tel. : +91-112686 3801-04, 49545454, 49545400 - Fax : +91-11-2685 5450 - E-mail : research@phdcci.in - Website : www.phdcci.in

